

RBI modifies NBFCs Regulations for Commercial Papers

June 27, 2001

The Reserve Bank of India today announced rationalisation of some of the regulations and other measures as applicable to Non-Banking Financial Companies (NBFCs) and Residuary Non-Banking Companies (RNBCs). The changes made are -

(i) The extant provisions of NBFC Directions on public deposits apply to Commercial Papers (CPs) also. In view of the fact that the issue of CPs by NBFCs would be governed by the guidelines issued by IECD vide Circular IECD. 3 / 08.15.01 / 2000-01 dated October 10, 2000 and in order to facilitate raising of monies by NBFCs through this instrument, it has been decided to exempt from the purview of public deposits the monies received by NBFCs by issue of CP in accordance with the above guidelines;

(ii) The procedure of accounting for repossessed assets has been clarified and suitable guidelines have been issued;

(iii) To ensure adoption of a uniform practice by companies for computing the net amount of outstanding public deposit liabilities, it is clarified that NBFCs may maintain liquid assets on deposit liabilities as netted off in respect of TDS **actually** deducted and remitted to Government;

(iv) In order to improve the accountability of the management of the company to its shareholders, statutory auditors of NBFCs are advised that their observations on contravention of RBI Act / Directions should also form part of the reports submitted by them to the shareholders of the company under Section 227 (2) of the Companies Act, 1956, besides directly reporting such contravention to RBI;

(v) It is observed that some of the NBFCs which have accepted and held public deposits have since repaid entire public deposits or placed necessary amounts in escrow accounts thus becoming non-public deposit taking companies. They do not submit the periodical returns to the Bank under the impression that they need not submit such returns since they are not holding public deposits any longer. It is clarified that companies having Certificate of Registration with authorisation to accept public deposits, though they may no longer hold public deposit, are required to continue to furnish quarterly return on liquid assets, half-yearly return on prudential norms, annual return on deposits, etc., in terms of Directions. However, in order to give some operational freedom, it has been decided to give an option to these NBFCs to either submit periodic returns or apply for conversion into a non-public deposit taking company.

(vi) The Reserve Bank has also made necessary amendments in the Directions to reflect the change in the name of credit rating agency viz. Duff & Phelps Credit Rating India Pvt. Ltd. (DCR India) to FITCH Ratings India Pvt. Ltd., City of Calcutta to Kolkata and extension of jurisdiction of Regional Offices of Patna, Bhopal and Kanpur to cover the newly created States of Jharkand, Chattisgarh and Uttaranchal, respectively.

(vii) The Reserve Bank has further advised shifting of its Regional Office of Department of Non-Banking Supervision earlier located at Lucknow Office of RBI to Kanpur Office of RBI.

P.V. Sadanandan
Asstt. Manager

Press Release : 2000-01/1733